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Paper 18

*ECONOMIC LIBERALISATION VERSUS THE LIBERATION PROCESS
IN SOUTHERN AFRICA: THE IMF AGREEMENT WITH PARTICULAR
REFERENCE TO ZAMBIA AND TANZANIA*

by

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ECONOMIC LIBERALIZATION VERSUS THE LIBERATION PROCESS
IN SOUTHERN AFRICA, PRELIMINARY REFLECTIONS ON THE
STRUCTURAL ADJUSTMENT PROGRAMMES IN TANZANIA, ZAMBIA
& MOZAMBIQUE

by

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ECONOMIC LIBERALIZATION VERSUS THE LIBERATION PROCESS
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THE STRUCTURAL ADJUSTMENT PROGRAMMES IN
TANZANIA, ZAMBIA AND MOSAMBIQUE

1. Introduction:

The post 1979 period has seen a sustained cyclical crisis of the World Capitalist economic system which has negatively affected most of the dependent third world countries. Despite speculative favourable projections by the managers of the capitalist world economic system (the World Bank and the IMF), prospects of an upswing in the economic performance of the poor and economically dependent third world countries (hereafter referred to as the JWCs) are very dim indeed (World Bank, 1986a).

The logic of the World Bank has it that the recovery of the economies of JWCs will depend on the improved performance of the economies of the developed capitalist countries and changes in terms of trade in favour of primary commodities. Thus, according to the World Bank Report of 1986, the continued economic growth in the developed capitalist countries, the expected fall in the price of oil and favourable commodity prices particularly for coffee would all act to stimulate economic growth in the economically more disadvantaged countries. In fact as we shall soon point out the JWCs

are now being urged to implement the so called structural adjustment programmes (hereinafter referred to as SAPs) as these favourable conditions would minimize the social sufferings often accompanied by these changes and therefore, avert crises of a political nature (World Bank: 1986).

As it is now well known, the cyclical crisis has continued to worsen. The OPEC countries failed to agree on a common strategy to lower the volume of production of oil with subsequent rise in the price of oil (at least the expected price reductions never took place), commodity prices of the most important SDCs agricultural exports (coffee, cotton and tea) has remained the same or even declined and the growth in the economies of the developed countries has not improved thereby worsening the external terms of trade between the developed and developing countries.¹

For the Southern African Region the post 1979 cyclical crisis of capitalism has taken place within the context of a very important stage of the 3rd phase of the general crisis of capitalism. In Marxist literature, a distinction is normally made between cyclical crises and the general crisis of capitalism.

While the former is recurrent and is generally caused by the unplanned and profit oriented nature of capitalism, the later is much more political and gradually leads to the success of anti-imperialist and progressive forces in the world (Schilling, 1979). A clear grasp of the two types of crises is important for understanding the relationship between the ongoing liberation struggles in the sub-region and the IMF imposed SAPs.

Briefly put, the first stage of the general crisis of capitalism was ushered in by the 1917 Great Socialist October Revolution of Russia. This revolution, apart from effectively driving capitalism out of Russia, greatly stimulated and strengthened the struggle for political self-determination particularly in Asia. The Second World War (Z.W) which was above all caused by the need to find a "permanent" solution to the after effects of the cyclical crisis of capitalism of the late 1920s and early 1930s (the so called Great Depression) and aimed at eliminating the Soviet Union as the first socialist state in the World in fact ended with the defeat of the most dangerous imperialist power (Germany) and the success of progressive forces. The beginning of what one can call the World socialist system, its influence on international politics and particularly its support for anti-colonial struggles, weakened significantly capitalism and ushered in the second phase of the general crisis.

The third phase and perhaps the most interesting for our paper came with the generalised anti-colonial struggles both in Asia and Africa and the successful defeat of classical colonialism in the 1960s. (Schilling, 1979). Interesting for our paper is the fact that the end of classical colonialism was at the same time the beginning of a very long period of the third phase of the general crisis of capitalism. Contrary to most radical analysis, political independence created the best socio-political context for the struggle for the national economy, for the nation state (Fanon, 1963 Shivji, 1975). Contradiction inherent in neo-colonial economies (new colonialism) must of necessity lead to generalised anti-monopoly capitalism forces and therefore, to the deepening of the 3rd phase of the general crisis of capitalism. It is this deepening of the general crisis of capitalism with the tendency for the progressive and socialist forces to become influential, that constitutes the biggest problem for imperialism in the Region.

This was more so with the apparent unity between the anti-colonial struggles and democratic revolutions in the delayed anti-colonial struggles in Mozambique, Zimbabwe, Angola and Namibia. The fact that the programmes of most of the Parties leading the national liberation struggles in these countries emphasized the need to establish

independent i.e. integrated and self-sustaining economies after the successful completion of the struggles did, indeed, threaten the long term economic interests of imperialism in the region. But perhaps even much more disturbing for imperialism are the prospects for a majority ruled and anti-imperialist South Africa.

As is very well known, the Republic of South Africa has by and large crossed the threshold of developed countries. The economy of South Africa has the highest co-efficient of backward and forward linkages in the continent of Africa and while multinational corporations are dominant, her capacity to sustain her economy even in their absence is very high indeed (the current withdrawal by a number of multinational corporations and the sale of their property and shares to "indigenous" capitalists can only strengthen even more the Bore regime)². It is therefore, abundantly clear to imperialism that should the ongoing anti-apartheid struggles be won by forces led by anti-monopoly capitalism and socialist forces (essentially a democratic revolution) then, progressive forces would take over a developed economy which would, given the continued existence of countries led by progressive forces in the region, be central in creating a community of powerful independent and progressive states in the region.

In Russia, Lenin linked the Success of the Great October Socialist Revolution to subsequent revolutions in the rest of the much more developed Europe. Due to various reasons socialism had eventually to be built in one country, thanks mainly to the richness of Russia. We would like to submit here that in the Southern African Region socialism in one country will be extremely difficult to achieve in the absence of a democratic and socialist Republic of South Africa. The long term programme of imperialism is precisely to prevent this eventuality from taking place.

Three scenarios that are very much related can be identified in the attempt by imperialism to prevent any possibility of creating what one may call a broad united front of anti-imperialist countries in Southern (I shall come back to this theme in the third part of this paper) can be identified.

(a) A much shorter term scenario is to destabilize, through organised military activities, the most vocal progressive states. As we shall point out later these countries, despite obvious weaknesses in their policy formulations and political organisation, are the only countries that have dared to come out with a clearer independent economic programme. Armed destabilization is therefore aimed at making the implementation

of these policies impossible and at generally making it extremely difficult if not impossible for the states of these countries to deliver any economic benefits to the populace, thereby discrediting them.

- (b) The second scenario, which is much more of a long term nature and covers even mildly progressive states but states that also strongly support the liberation struggles in South Africa (e.g. Tanzania and Zambia), is the imposition of a clearly neo-colonial economic strategy (otherwise known as the Structural Adjustment Programme) on them. If the first scenario succeeds in making a country politically and economically ineffective, then Imperialism would come up with an economic programme that would "help" the country come out of the crisis brought about by ineffective "socialist" and/or statist policies. (the Mozambican case).

- (c) The third scenario, which is also of a long term nature, is the need to influence the political content of liberation struggles in South Africa by making sure that eventually majority rule will be dominated by comprador bourgeoisie who will maintain the same economic relations between South Africa and the developed capitalist countries.

Indeed, scenarios two and three are very much related since "majority" rule in South Africa in which the comprador bourgeoisie dominates will make sure that the rest of the countries of Southern Africa will remain neo-colonial appendages of imperialism.

Let us finally submit here that given the critical phase of liberation struggles the region is going through (i.e. the possibility of the liberation struggles in South Africa consolidating anti-imperialist forces) the Structural Adjustment Programme now being imposed by the IMF and World Bank on a number of countries in the Region can not be simply taken as being politically neutral economic programmes. The paper, therefore, intends to achieve three things:

- (a) to clearly demonstrate that the policy issues contained in the SAP package are intended to consolidate capitalist and comprador forces in those countries, forces that do not generally support the national liberation struggles.
- (b) to argue that although at the level of propaganda these policies are intended to save the poor workers and the small peasant holders, in practice and particularly in the medium and long term period these classes and strata of classes will be perhaps the most negatively affected in terms of falling standards of living.

The introduction of a system that encourages the forces of the market and completely leaves the poor strata of the population at its mercy has initially a demobilizing tendency. Moreover as we shall soon show, most of the programmes are so politically unpopular that they can only be implemented by a state that must of necessity adopt fascist tendencies. It should however, be emphasised that the states that have always been at the forefront in supporting the national liberation struggles are those that have been able to maintain an impressively high level of popular support. In many ways, the SAPs aims at removing this support.

(a) originally, this paper will attempt to provide an alternative to the SAPs by arguing that an economic programme based on and supported by a broad united front of anti-monopoly (imperialist) states in the region is the only effective solution to the current onslaught by imperialism.

2. The economic crisis, its symptoms and the IMF Medicine

A quick look at the economies of three countries particularly after 1979 shows similar symptoms of what must certainly be the same economic "disease". The bone of

contention between the World Bank - IMF experts and the like minded on the one hand and the progressive and/or patriotic intellectuals has been the need to currently comprehend the true character of the economic crisis. Indeed, any properly trained political economist irrespective of his political inclinations would certainly agree with most of the World Bank - IMF observations on the symptoms of the economic malaise that has crippled most of the economies of the Southern African countries. Beyond this however, the two must part ways (Wagao, 1986).

Let us perhaps summarise these symptoms about which so much has been written and said over the last eight years also. For the purpose of our paper, four symptoms would seem to be central.

2.1.1 Decline in the Volume of Exports of Primary Commodities - mainly agricultural products (the exception is Zambia where copper and cobalt are the dominant exports)

In all the three countries, the volume of exports of the primary commodities has been declining over the last fifteen years also. In Tanzania for example, coffee production declined from 60,000 tons in 1973 to 50,000 tons in 1983, cotton from 64,500 tons in 1972 to 40,000 in 1983, sisal from 217,000 tons in 1970 to 27,000 tons in 1983 and cashewnuts from 114,000 tons in 1974 to 11,000 tons in 1983 (Mujuni, 1986:12).

For Mozambique, a country that has been on a permanent war footing, the performance in the volume of marketed agricultural production between 1975 and 1984 has been disastrous. The table below best summarises the situation.

Table 1: Marketed Agricultural Production: Selected crops (thousands of tonnes)

	1975	1981	1982	1983	1984	1984 as % of 1981
<u>Export Crops</u>						
Cashewnuts	160.0	90.1	57.0	18.1	25.3	28.1
Raw cotton	52.0	73.7	60.7	24.1	19.7	26.7
Sugar	226.0	177.2	125.8	73.7	39.3	22.2
Tea	59.1	99.2	109.7	51.1	59.8	60.3
Timber	199.0	93.3	53.8	33.5	44.3	47.5
Sisal	340.0	233.8	139.9	122.4	136.6	58.4
Copra	50.4	54.4	36.6	30.7	24.8	48.6
<u>Food Crops</u>						
Rice	94.0	28.9	41.5	17.3	19.8	68.2
Maize	95.0	78.3	89.2	55.8	82.6	105.5
Beans	14.0	14.9	6.9	4.7	3.5	23.5
Horticulturalures	4.0	6.8	5.6	7.9	20.0	294.1

Source : Mozambican National Commission, 1985

One thing that is clear from the above production figures is the fact that both in Tanzania and Mozambique the performance of the most important foreign exchange earning crops has not been impressive and therefore, that as a means to restructure the economy, it is extremely important to improve the existing levels of production. Although we shall come back to this point we would like to clearly point out that the need to increase the volume of primary commodities can not constitute an important element of the structural adjustment of a dependent economy as the World Bank would like to make us believe (World Bank, 1981, 1984, 1988). At best, it can constitute part of a minimum programme of a much more fundamental structural transformation strategy of the inherited economy.

2.1.2 Increasing Government expenditure and inefficient Public Institutions

In almost every World Bank Report since the 1981 report titled "Accelerated Development in Sub-Saharan Africa, An Agenda for Action", the recurrent theme has always been the need to strengthen the private sector as the most efficient sector in distributing the benefits of growth through the free market mechanism (World Bank, 1986(a): 3). It is indeed true that for most of African countries the administration "sector" consumes a substantial amount of the GDP and yet its impact on productivity and consequently on raising the standard of living is minimal.

Having, however accepted this argument we would like to submit that this propensity for the administration sector to consume a substantial amount of GDP has in most

~~cases more to do with the inherently inefficient and corrupt comprador bourgeoisie who hold high positions than the assumed natural inefficiency of state owned institutions.~~

If the state owned economic ventures were managed efficiently they would not only ensure their own extended reproduction but would also support the so called free services badly needed by the poor peasant and workers.

Tanzania provides the best example of inefficiently run state owned institutions which over the years have become a big burden to the tax payers. Most of them have survived thanks to bank loans and state subventions. The table below shows amount of money (in terms of subventions) given by the state, profits made by the Parastatals and their contribution to the GDP.

Table : Tanzanian State Support to Parastatals

(in Million shillings)

Year	State Subvention	Contribution from Parastatals	Real transfer from the state to Parastatals	Parastatal Profits	Contribution to GDP	% to GDP
1973	420.7	85.2	335.5	626.3	1249.2	11.9
1974	625.5	106.1	519.4	730.4	1450.4	15.0
1975	1314.3	75.1	1239.2	855.9	1719.3	10.1
1976	1189.4	95.1	1093.9	1008.0	1972.9	9.1
1977	1167.1	113.6	1053.5	1492.7	1492.7	9.5
1978	1598.1	200.0	1398.7	2312.9	3716.5	13.0
1979	1293.3	210.2	1083.4	1899.0	3785.0	11.7
1980	1367.1	142.7	1224.4	2100.0	5073.0	13.5
1981	1689.1	199.0	1490.1	2725.6	5662.0	13.6
1982	2971.3	347.0	2624.6	3458.6	7387.0	14.0

Source : Ministry of Finance and Economic Affairs, Implementation of the policy of Socialism and Self-reliance in the economic and finance sectors, paper presented to the symposium on Twenty Years of Arusha Declaration, Dar es Salaam, 1987.

The above table shows clearly that since 1973 the state has been giving much more to the parastatals than what it received from them. It would be very difficult for any analysts or policy maker to argue for the continued support of parastatals that can not ensure extended reproduction from their own surplus value. But as we already said before, a combination of political and technical efficiency on part of those who runs the

parastatals can make them profitable. Parastatals particularly in certain key sectors are extremely important for reproduction of a nation's economy, including private economic ventures.

2.1.3 Low Producer Prices and Low Investments in the Agricultural sector

With the possible exception of the Republic of South Africa the rest of the Southern African countries depend predominantly on the agricultural sector and on the small holders who are the dominant producers. Any sound agricultural policy must accept this concrete reality when formulating pricing and inputs policies. Producer prices should be high enough to cover the cost of production of the small holders and enable them to buy the most essential incentive goods. And likewise, more capital should be invested in the agricultural sector and within this sector to the small holders, particularly those producing food crops.

Most of the post-independence Southern African Countries have however invested more in import substitution industries and have formulated price policies that have led to a severe scissors crises i.e. increasingly the internal terms of trade have worked against the rural areas and this has in turn discouraged the small holders to produce more cash crops and food crops.

In Tanzania, a country whose policies have formally emphasized agricultural production, the post 1967 period (when the country announced the progressive Arusha Declaration policy saw a systematic neglect of this important sector of the economy. The percentage of the total annual investment that went to agriculture decreased from a high level of 29.1% in 1975/76 to an all time low level of 7.5% in 1979/80 (Msambichaka et al, 1983: 43. It was only after the intervention of the IMF, for reasons that have nothing to do with the interests of the small holders, that the percentage was restored to the 1975/76 level in the budget year of 1984/85. Since then percentage has averaged at 28% of total annual investments.

The price levels as it has been well documented by Elli Frank (Frank: 1979) were a pitiful fraction of the price levels at the international market and could not cover the cost of production incurred by the peasants.

In Mozambique on the other hand, the post 1977 (after the 3rd FRELIMO CONGRESS) policies wrongly emphasized a socialist programme (a maximum programme) when concrete conditions dictated that a democratic programme (a minimum programme) be adopted. Consequently, most investments went into large scale state farms and disregarded the small holders and co-operative farms. In 1982 for example, 90% of the centrally planned investments in agriculture went into state farms and the remaining 10% was shared between the small holders and co-operatives (Tarp, 1984).

Zambia whose economy is heavily dependent on copper exports spends far less in agriculture than the mining sector. In the 1980-1984 period only 11.1% of the total investments went into the agricultural sector while 31.5% went into the mining sector and projections for the period 1986-90 envisage 18.0% and 22.0% respectively (ROZ, 1986: 35).

The net result of these lopsided investment policies in favour of import substitution industries and within the agricultural sector, in favour of cash crops and large scale farms has not only led to a drastic fall in food crops production but has politically marginalised the small holders and seriously eroded the confidence of the peasants in their Governments. And their confidence is a conditio sinequa non for the successful support of the liberation struggles in Southern Africa. Let us in passing point out that the emphasis

put by the World Bank and the IMF on better producer prices within the economic mechanism of "free" competition does not aim at protecting the small holders and at least in the medium and long term context may have a far more damaging impact on the popular support to the national liberation struggles. I shall come back to this point when discussing IMF conditionalities.

2.1.4 Declining Installed Capacity Utilization in the Import Substitution Industries

The import substitution industrialization strategy was adopted by almost all independent Southern African Countries largely on the World Bank advice. In Tanzania, the import substitution industrialization strategy was incorporated in the First Five Year Plan (1964-1969) following a World Bank report of 1960. Import substitution industries though meant to lessen the dependency on imported consumer goods are themselves high import dependent (in terms of machines and spare parts) and have very little backward and forward linkages internally. Inability to sustain a certain acceptable level of exports (basically of primary commodities) can lead to a severe reduction in capacity utilization of these type of industries and, this is what has been happening in the three countries. Particularly since the ongoing cyclical crisis started. In Tanzania, capacity utilisation has been at around 30% since 1979 leading to severe consumer goods shortages.

On the basis of these developments, the most recent World Bank report (1987) advises particularly the so called least developed countries to put more emphasis on export oriented (basically of primary commodities) economic policies as an important element of the SAP. As we shall point out in greater detail later, what the World Bank now wishes to impose on these countries is the worst form of the so called export led economies - i.e. growth through the export of primary commodities. The implications of this policy given the unreliability of favourable external terms of trade are very clear. Even the more "fortunate" countries of the far-east Asia, the so called newly industrialising countries ("fortunate" in the sense that their export led growth has been based on "redeployed" industries from the developed capitalist countries) are now increasingly coming against unpenetrable tariff and non tariff walls. (Amin 1980).

Having made a brief survey of the symptoms of the crisis on whose basis the SAPs have been based, let us briefly review the most important elements of this programme. As pointed out in our introduction, this part of the paper aims at doing three things; (1)

- (1) to argue that the basic thrust of the programme is to consolidate capitalism and has nothing to do with the interest of the poor workers and peasants.

- (2) to point out that the type of capitalism being suggest is that which will consolidate and strengthen dependency relations; and
- (3) in relation to the Southern African Region, the programme aims at consolidating reactionary elements in the Parties and Governments of the most outspoken anti-apartheid countries and breaking the will of the popular masses to support the liberation process.

2.2 The IMF Conditionalities - policy prescription for continued economic dependency in the Southern African Region.

In this part, we shall limit ourselves to those aspects of the conditionalities that most clearly aim at strengthening economic dependency and at breaking the will of the popular masses to support the liberation process.

2.2.1 The over-valued exchange rate and "incentive" policies:

The most prominent argument in almost every World Bank report since 1981 has centered around the issue of over-valued exchange rate which is said to have created a lot of imbalances in the economy. This, has in particular negatively affected the export performance of primary commodities. Devaluation has therefore, been seen as the most important policy instruments in the SAP. It is often argued that the devaluation of the local currency accompanied with market oriented incentives

to the peasants, will improve the performance of the agricultural sector. Every dollar earned through the export of agricultural products, it is argued, will earn more local currency which would enable a country to pay more producer prices.

This policy argument is closely linked with the removal of both urban and rural incentives - urban in relation to food subsidies and rural, in relation to inputs subsidy. The argument is often made to the effect that the devaluation exercise would be ineffective if a substantial amount of local currency goes into supporting the urban population rather into increasing the level of agricultural producer prices. In relationship to inputs subsidies, it is argued that in most cases the distribution of the subsidized inputs has not been efficient and had led to more administrative costs which had to be paid for by reducing the level of producer prices

While we are agreed that for the three countries being discussed the producer prices were far below the minimum required to motivate the peasant to produce more, increased producer prices through devaluation does not always lead to increased agricultural production (Malima, 1982). In a number of cases, due to the ever fluctuating terms of trade (often against primary commodities) planned high producer prices for the next season have to be met by shifting the internal terms of trade against the urban areas (through increased food prices) or even by Government bank borrowing.³

The removal of input subsidies in the rural areas works against the poor peasants who can hardly afford the ever increasing costs of key inputs and while peasants are responsive to higher prices and may initially increase production, this can only be a temporary development as it increasingly becomes more expensive to reproduce the fertility of the soil on an extended basis given the small size of land and prohibitive prices for better and simple tools (e.g. the plough). In the absence of an effective land reform programme (and this is not a popular policy for the World Bank and Co.) the liberalization of the distribution of inputs and the ever increasing costs can only increasingly marginalize the small holders. In fact despite the many nice words about this stratum of peasants by the World Bank Reports, the medium to long term objective of the SAP is precisely to replace it by the rich and capitalist farmer.

While this eventuality may increase the volume of agricultural production, experience elsewhere has shown that the marginalization of the majority of the peasantry without corresponding employment opportunities in industries can only increase the army of the unemployed in the rural areas and this, as it is often the case is accompanied by acute social crises.⁴

The linkage between the removal of food subsidies for the urban population and the increase of producer prices for agricultural crops is perhaps one of the most controversial

aspect of the IMF conditionalities. The World Bank and the IMF under increasing pressure from the social crises brought about by this policy, have of late become increasingly defensive. In their desperate attempt to enforce this policy, the two institutions are now speculating with the state of affairs of the "world" economy. It has recently been argued that the year 1986 was going to be the "year of opportunity" for both Africa and the donors because of the then expected decline in oil prices and good weather conditions. In the words of the World Bank.

Recovery from the drought has brought lower food prices, and imported petroleum will be cheaper because of the decline in oil prices. This makes 1986 a good year for Africa to accelerate its process of correcting overvalued exchange rates: lower food and petroleum prices will soften the inflationary impact of devaluation on urban dwellers; at the same time, devaluation would help raise the farm prices of agricultural export and partly offset the effects of lower food prices on farmers (The World Bank, 1986:b:5, our emphasis).

In the world capitalist economy controlled by the blind forces of supply and demand, economic projections are mere speculations. We now know that the year 1986 was another very bad year for Africa with oil prices remaining constant or rising and coffee prices falling rather rising than as expected. The only consolation perhaps are the good rains and these can not be guaranteed every year. Indeed, the food riots in Zambia and subsequent strikes by a broad cross section of workers took place during this year and are still going on!

In an attempt to lessen the negative impact of devaluation on the poor people and restore some element of economic planning the government Zambia introduced a 'managed' floating exchange rate system in which the Kwacha is pegged to a basket of currencies of Zambia's leading trading partners. Under the auctioning system forced on Zambia by the IMF the value of kwacha against the dollar went as low as ZK 15.33 = \$ 1. The "new" system has fixed an upper and lower limit between which bidders for foreign exchange can operate - ZK 9.00 and ZK 12.50 (African Business, April 1987 No: 14: 20).

Tanzania and Mozambique have also adopted no less destructive exchange rate systems and the across the board removal of food subsidies will sooner or later lead to severe social crises as the patience of the people get exhausted. Tanzania did, for example, adopt the so called flexible exchange rate regime, "which rely on supply and demand in the foreign exchange market to determine the exchange rate" (The World Bank 1986b : 16). When Tanzania adopted the IMF reform package in June 1986 the exchange rate was T.shs.40:/\$ 1 and in April 18th, 1987 it was T.shs.58.55:/\$ 1.

Mozambique, economically exhausted by the apartheid supported MNR bandits has also been forced to take the IMF medicine. It recently devalued her grossly over-valued currency from MM40 = \$ 1 to MM200 = \$ 1 (buying) and MM 204 = \$

selling and reduced subsidies on food and essential social services although prices for producer and consumer prices of staple foods will continue to be centrally fixed (African Business, 1987).

Let us emphasize here that we are not simply against devaluation and anti-subsidy policies but are certainly against economic reform policies that aim at removing sovereignty over the economies of our countries. Floating exchange rate systems ("managed" or un-managed) make any sound economic planning impossible and leave the fate of our economies to the whims of the forces of supply and demand. On the other hand, across the board removal of subsidies which does not seek to distributive the burden of the recovery programmes according to the different levels of incomes can only lead to social chaos with even more negative consequences on the performance of our economies.

2.2.2 Interest rate policy and credit ceilings

The introduction of higher interest rates is intended to reduce the level of investments expenditures by making it expensive to borrow money (capital funds) and by so doing finally reduce inflation. Likewise, credit ceilings imposed on banks is also supposed to achieve the same purpose. In practice, higher interest rates and credit ceilings have tended to discriminate the poor peasants and urban artisans and have made it extremely difficult for

the commercial banks to advance loans to marketing cooperatives so badly needed to buy crops from the peasants. Apart from removing any remaining autonomy by local commercial banks, this aspect of the IMF conditionality has the medium to long term "project" of consolidating big farmers for, it is they who are better placed to afford loans with high interest rates.

Indeed Zambia, faced by declining levels of investments has had to revise the original IMF imposed interest rates from 30% to 20% (the Bank of Zambia) while commercial bank rates now range between 21% and 25%. This decrease is supposed to encourage investments in agriculture and small scale industries.

2.2.3 The export led growth, an anti-industrialization strategy

An interesting aspect of the SAPs is the simplistic approach towards the export-led strategy which, in relationship to sub-Saharan Africa, would seem to condemn most countries of this sub-region to exporters of agricultural crops. For the World Bank and the IMF, export led growth strategy is seen as an end and not as a means to create internal investment capacities in industries that are integrative and self-sustaining. Indeed in most cases the advice is not to restore installed capacities of key industries (via an effective export promotion policy) but to abandon them.

This "advice" comes up very clearly in the World Bank special report on Sub-Sahara Africa of 1986 which argues against the "white elephants" projects i.e. steel mills and refineries. In the words of this report:

The area with the greatest potential in much of Africa is agriculture. With improvement in agricultural prices and increased availability of imported raw materials and basic consumer goods, the agricultural output can be expected to grow by 4 percent a year during 1986-90. Similarly, industries and services, particularly linked to agriculture, will benefit from increased investments and imports. In some areas of industry (for example, steel mills and refineries) and some services (for example government services), a phase of contraction may be a necessary part of adjustment for sustained development (my emphasis, World Bank, 1986(b): 24).

As we shall point out in our concluding part, we do not think that there is any contradiction between iron and steel industries and chemical industries on the one hand and the agricultural sector on the other. Indeed, the two are complimentary and provided that the Southern African countries adopt a regional approach to heavy industrialization (to avoid market and inputs supply problems) this strategy could very well be the most effective and most sustainable.

2.2.4 The "joint" management of the SAPs

This brief review of the IMF conditionalities would be incomplete without a few words about the management of the foreign "aid" that is accompanied by the SAPs. The most disturbing aspect of the SAPs for anybody concerned about the sovereignty of our countries and the continued support of national liberation struggle in the region is the linkage between increased foreign aid and foreign control of sensitive economic institutions.

SAPs are normally accompanied by experts from the World Bank and/or the IMF who fix credit ceilings, quarterly financial controls and virtually run all the key ministries. Ofcourse the World Bank has its own euphemism for this increased control - "technical assistance". The most recent World Bank Report on Sub-Saharan countries gives the following advice:

To this end, the African Countries must strengthen their core ministries of finance and planning, and the units that coordinate their foreign assistance. Better coordination within the government - between the central bank, the ministries of finance and planning, and the sectoral ministries - is also necessary. Such improvements may call for technical assistance from outside and such assistance is readily available from the World Bank, UNDP, or bilateral and agencies. Some countries have made progress in this area (for example, Zambia) but most still have a long way to go. (My emphasis, World Bank, 1986(b):45).

After what has recently happened in Zambia, Sudan and Zaire (food riots, complete breakdown of law and order and even the fall of a President) the other countries would be ill advised to go thus far! African countries and Southern African countries in particular, must find out other mechanisms of re-organizing their neo-colonial economies without re-colonization which is what the World Bank and IMF are trying to achieve.

3. Is a self-reliant "structural adjustment programme" possible?

As we pointed out in our introductory remarks, SAPs in the Southern African Region have an obvious political content i.e. pre-empt the emergence of a sub-regional power within the context of a democratic front of anti-monopoly capitalist forces which would be strengthened by a democratic and majority ruled South Africa.

SAPs implemented at the level of individual countries (and it has been on this basis) tend to weaken effective regional economic integration. They discourage types of industries that would only be possible and effective if constructed under a regional plan. In this way SAPs tend to encourage the co-ordination of import substitution industries and export economies (primarily of agricultural crops). The SAPs would therefore, tend to encourage the current regional integration strategy of SADDCC which is basically based on attempts to co-ordinate dependent economic structures.

While the "export led" growth strategy should continue to be emphasized as a minimum programme, increased foreign exchange earned should be used to invest in regional industrial projects that would increasingly make the sub-region independent in the supply of machines and agricultural inputs. This maximum programme is however, extremely difficult to realize if the liberation struggles going on in South Africa will not eventually be won by democratic forces - i.e. clearly anti-imperialist forces. A democratic South Africa, with a highly developed economy would certainly facilitate the process of creating a well integrated and self-sustaining regional economy - a real threat to monopoly capitalism. For this however to take place Southern African countries must resist structural adjustment programmes that marginalize the popular forces without whose support liberation struggles in South Africa and Namibia will be difficult.

FOOTNOTES

1. According to the latest IMF report found in the Daily News, April, 1986, Dar es Salaam.
2. This argument is not against the current economic sanctions efforts by the international community against South Africa but it does admit the fact that the pull out by multi-national corporations will not automatically weaken South Africa economically.
3. Tanzania found herself in a similar situation when she dramatically increased the producer prices for coffee for the 1986/87 budget year (as a component of the Economic Recovery Programme) only to realize that the prices of coffee were actually on the decline.
4. Despite many years of political independence, most Latin American Countries are now fighting for economic independence.

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